

QUESTIONS AND ANSWERS ABOUT PERSONAL TRUSTS

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1. Q. *What is a "Trust"?*

A. A trust is a right of property, real or personal, held by one party, the person appointed or required by law to administer a trust, for the benefit of another. A trust can be created for any purpose which is not illegal and which is not against public policy. There is no limit to the number of trustees or the number of persons who may join in the creation of a trust. The person who creates a trust is called the "grantor", "maker", "donor", "trustor" or "settlor". The person charged with administering a trust is called the "trustee". The party for whose benefit a trust is created or who is to enjoy the income of the trust is called the "beneficiary" or "donee". A trust may be established by any organization or competent adult capable of holding legal title to property. A trust may also be created under the will of a decedent. Such a trust is called a "testamentary trust" and does not take effect until after the testator's death.

2. Q. *What is a "Trust Instrument"?*

A. A Trust Instrument is the document which sets out in writing the authority, duties and rights of the parties involved. The instrument may be known as an "Agreement", "Indenture", "Declaration", or "Deed". In the case of a testamentary trust, the trust instrument is the decedent's will.

3. Q. *Can United States Savings Bonds be registered in trust form?*

A. Yes, the governing regulations authorize bonds to be registered to various types of trusts on original issue and permit reissue of bonds in the name of the trustee of a personal trust estate. Personal trust estates are defined in the governing regulations as trust estates established by natural persons in their own right for the benefit of themselves or other natural persons in whole or in part, and common trust funds comprised in whole or in part of such trust estates. Bonds registered in the names of individuals may be reissued to a personal trust estate as follows:

- (a) A bond registered in single ownership form may be reissued during the lifetime of the owner to name as new sole owner the trustee of a personal trust estate which was created by the owner or which designates as beneficiary either the owner or a person related to him/her by blood (including legal adoption) or marriage.
- (b) A bond registered in coownership form may be reissued during the lifetime of both coowners to name a trustee of a personal trust estate created by either coowner or by some other person if either coowner is a beneficiary of the trust or a beneficiary of the trust is related by blood or marriage to either coowner.
- (c) A bond registered in beneficiary form may be reissued during the owner's lifetime to eliminate the names of the owner and the beneficiary and to name as new owner the trustee of a personal trust estate which was created by the owner or which designates as beneficiary either the owner or a person related to him/her by blood (including legal adoption) or marriage.

4. Q. What is the proper form of trust registration for savings bonds?

A. The governing regulations require that the registration of a bond issued to a trust must include the name(s) of the trustee(s) and an adequate identifying reference to the authority governing the trust. This means that the registration should include the name(s) of the grantor(s) of the trust, the name(s) of the trustee(s), and the date of the trust instrument (the date the trust was created). There are generally two basic forms of registration for personal trusts:

- (a) When the trustee and the grantor are the same person, bonds are registered "Trustee's name", trustee under declaration of trust dated "date of trust instrument". For example, if Jason Brown created a trust on June 6, 1991, naming himself as trustee, the bonds would be registered, using appropriate abbreviations, as follows: "Jason Brown Trustee Under Declaration of Trust Dated June 6, 1991".
- (b) When the trustee and the grantor are not the same person, bonds are registered "Trustee's name", under agreement with "Grantor's name", dated "date of trust instrument". For example if Jason Brown created a trust on June 6, 1991, naming Betty Brown as the trustee, the bonds would be registered, using appropriate abbreviations, as follows: "Betty Brown Trustee Under Agreement with Jason Brown Dated June 6, 1991".

Variations may be made depending on the particular circumstances of the case; for example, there may be co-trustees or the trust instrument may be an indenture of trust rather than a declaration of trust. Additional examples of authorized registrations are given on pages 5 and 6.

An individual should be designated by the name he/she is ordinarily known by or uses in business, including at least one full given name. It is important to note that the complete name of each trustee and grantor must be shown. For example, bonds should not be registered "John & Mary Brown Co-Trustees. . ."; the surname must be shown for each trustee and grantor even if they both have the same surname.

5. Q. When more than one trustee is acting, what connective should be used in the registration of bonds?

A. When co-trustees are to be named in the registration of bonds, the connective "AND" is normally used to link the names of the co-trustees. All of the trustees are then required to jointly execute any subsequent request for payment or reissue of the bonds. However, if the trust instrument permits each trustee to act independently and without the consent of the other trustee, the connective "OR" may be used in the registration of bonds. When the connective "OR" is shown in the registration, any one trustee may execute a subsequent request for payment or reissue without the consent of the other trustee(s). Unless otherwise specifically requested, the connective "AND" is used in the registration of bonds.

6. **Q. *Whose Taxpayer Identification Number should be shown in a trust registration on bonds?***
- A. The registration of bonds for a trust must include the social security account number or employer identification number which the grantor ordinarily uses to identify the trust. Depending upon the specific circumstances, this may be the grantor's social security account number or an employer identification number assigned to the trust by the Internal Revenue Service.
7. **Q. *What evidence is required to redeem bonds belonging to a trust and where can they be redeemed?***
- A. An Irrevocable Trust is one which the grantor may not rescind or cancel while a Revocable Trust is one which the grantor has the option of rescinding or cancelling. The governing regulations do not require that either term be included in the registration of bonds.
8. **Q. *How can existing bonds be reissued to a trust?***
- A. In order to reissue bonds into a trust form of registration, a PD F 1851 must be signed by all persons named in the current registration of the bonds, in the presence of an authorized certifying officer. If Series EE bonds or Series HH bonds are involved, the consent and signature of the beneficiary is not required. If one of the persons named on the bonds is deceased and he/she would have been required to join in completing the PD F 1851 if he/she were still living, then the PD F 1851 must be supported by a certified copy of his/her death certificate.

Special attention should be given to completing Item 3 on the PD F 1851 as it concerns tax matters. If block (a) is checked, the reissue will not be taxable. However, if block (b) is checked, the transaction will be considered taxable for the owner or principal coowner. In that event, the interest earned on any Series E bonds, Series EE bonds and Savings Notes from the date of issue until the date of receipt of the request for reissue, as well as any deferred interest on Series H bonds and Series HH bonds, will be reported to the Internal Revenue Service under the owner or principal coowner's social security account number.

9. **Q. *Are there any additional requirements for reissue of Series H and Series HH bonds to a trust?***

- A. Yes. When Series H/HH are reissued to a trust, the new owner must certify that the taxpayer identification number furnished is correct and that he/she is not subject to backup withholding. Certification is accomplished by completing an IRS Form W-9 or a similar certification statement on the PD F 1851 (reissue application). If a social security account number is furnished to identify the trust, the Form W-9 must be completed and signed by the person to whom the social security account number belongs. If an employer identification number is furnished to identify the trust, one of the trustees must complete and sign the Form W-9. The certification statement is incorporated in the most recent versions of the PD F 1851; therefore, if the person whose certification is required has joined in signing the PD F 1851 and provided the appropriate taxpayer identification number on that form, a separate Form W-9 will not be required.

The furnishing of DIRECT DEPOSIT information is a condition of reissue of Series HH bonds bearing issue dates of October 1989 and thereafter. An SF 1199A must be completed for bonds dated October 1989 and thereafter which are submitted for reissue. One of the trustees must complete an SF 1199A providing the appropriate information for direct deposit of the semi-annual interest payments.

Both of the above-mentioned forms are available at financial institutions in the United States.

10. **Q. *Where should requests for reissue be sent?***

- A. The bonds, PD F 1851, IRS Form W-9 and SF 1199A (if appropriate), and any required evidence should be submitted to the nearest of the five Federal Reserve Bank Savings Bond Processing Sites shown below:

Federal Reserve Bank of:

New York – Buffalo Branch	P. O. Box 961, Buffalo, New York 14240-0961
Cleveland – Pittsburgh Branch	P. O. Box 867, Pittsburgh, Pennsylvania 15230
Richmond	P. O. Box 27622, Richmond, Virginia 23261
Minneapolis	P. O. Box 214, Minneapolis, Minnesota 55480
Kansas City	P.O. Box 419440, Kansas City, Missouri 64141-6440

11. **Q. *What evidence is required to redeem bonds belonging to a trust and where can they be redeemed?***

- A. When bonds are registered in the name of a trust, they are payable to the trustees, upon their request. Nothing other than a properly certified request for payment is required. Local banks are authorized to redeem bonds registered in the names of the trustee(s) of a personal trust.

SAMPLE REGISTRATIONS

COMPLETE

12-3456789
Tenth National Bank Trustee under
agreement with Paul E. White dated 2-1-80

12-3456789
Carl A. Black and Henry B. Green Co-
Trustees under agreement with Paul E.
White dated 2-1-80

12-3456789
Carl A. Black and Henry B. Green Co-
Trustees under agreement with Paul E.
White dated 2-1-80 for the benefit of Mary
White and Beth White

12-3456789
Paul E. White Trustee under agreement with
White dated 2-1-80

123-45-6789
Paul E. White Trustee under declaration of
trust dated 2-1-80

123-45-6789
Paul E. White Trustee under declaration of
trust dated 2-1-80 for the benefit of
Mary Smith

123-45-6789
Paul E. White and Mary White Co-Trustees
under declaration of trust dated 2-1-80

123-45-6789 123-45-6789
Paul E. White and Mary White Co-Trustees
under declaration of trust dated 2-1-80 for
the benefit of Sally White

123-45-6789 123-45-6789
Paul E. White Trustee under agreement with
Paul E. White and Mary White dated 2-1-80

ABBREVIATED

12-3456789
10TH NATL BK TR U/A
PAUL E. WHITE DTD 2-1-80

12-3456789
CARL A. BLACK & HENRY B. GREEN
CO-TR U/A PAUL E. WHITE DTD 2-1-80

12-3456789
CARL A. BLACK & HENRY B. GREEN CO-
U/A PAUL E. WHITE DTD 2-1-80 FBO
MARY WHITE & BETH WHITE

12-3456789
PAUL E. WHITE TR U/A MARY WHITE Mary
DTD 2-1-80

123-45-6789
PAUL E. WHITE TR U/D/T DTD 2-1-80

123-45-6789
PAUL E. WHITE TR U/D/T DTD 2-1-80
FBO MARY SMITH

123-45-6789
PAUL E. WHITE & MARY WHITE CO-TR
U/D/T DTD 2-1-80

PAUL E. WHITE & MARY WHITE CO-TR
U/D/T DTD 2-1-80 FBO SALLY WHITE

PAUL E. WHITE TR U/A PAUL E. WHITE &
MARY WHITE DTD 2-1-80

12-3456789

Beloit National Bank Trustee under agreement with Paul E. White dated 2-1-80 (Trust No.1)

12-3456789

First National Bank and Sally White Successor Co-Trustees under agreement with Paul E. White dated 2-1-80 as amended 3-1-81 for the benefit of Mary White

12-3456789

Paul E. White and Mary White Co-Trustees of the White Family Trust dated February 1, 1980

12-3456789

Thomas White Trustee under the will of Robert Smith deceased

12-3456789

Thomas White and Tenth National Bank Co-Trustees under the will of Robert Smith deceased

12-3456789

Paul E. White, Mary White, Sally Smith, Bob Jones, Tom Black, and Beth Jones Trustees under the will of George White deceased

12-3456789

BELOIT NATL BK TR U/A PAUL E. WHITE DTD 2-1-80 (TR NO.1)

12-3456789

1 ST NATL BK & SALLY WHITE SUC CO-U/A PAUL E. WHITE DTD 2-1-80 AS AM FBO MARY WHITE

123-45-6789

PAUL E. WHITE & MARY WHITE CO-TR OF THE WHITE FAM TR DTD 2-1-80

12-3456789

THOMAS WHITE TR U/W ROBERT SMITH DECD

12-3456789

THOMAS WHITE & 10TH NATL BK CO-TR U/W ROBERT SMITH DECD

Three different options:

- (1) PAUL E. WHITE, MARY WHITE, SALLY SMITH, BOB JONES, TOM BLACK, & BETH JONES TR U/W GEORGE WHITE DECD
- (2) PAUL E. WHITE, MARY WHITE, ET. AL. TR U/W GEORGE WHITE DECD
- (3) TRUSTEES U/W GEORGE WHITE DECD